

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

A JOINT APPLICATION FOR THE APPROVAL OF	)	
DEMAND-SIDE MANAGEMENT PROGRAMS, A DSM	)	
COST RECOVERY MECHANISM, AND A CONTINUING	)	CASE NO.
COLLABORATIVE PROCESS ON DSM FOR	)	93-150
LOUISVILLE GAS AND ELECTRIC COMPANY	)	

O R D E R

Louisville Gas and Electric Company ("LG&E"), the Office of the Attorney General, Jefferson County, Metro Human Needs Alliance, People Organized and Working for Energy Reform, Anna Shed, Kentucky Industrial Utility Customers, Louisville Resource Conservation Council, and Louisville Jefferson County Community Action Agencies (collectively "Joint Applicants") filed a joint application for Commission approval of a document entitled Principles of Agreement for Demand Side Management ("DSM") and related documents and tariffs necessary for the implementation of the Principles of Agreement. The Principles and tariffs set forth in the joint application were the product of a collaborative process undertaken by the Joint Applicants.

Although not styled as such, a review of the Joint Application discloses it is an application for a general adjustment of rates. KRS 278.010(10) defines "rate" as

any individual or joint fare, toll, charge, rental or other compensation for service rendered or to be rendered by any utility, and any rule, regulation, practice, act, requirement or privilege in any way relating to such fare, toll, charge, rental or other

compensation, and any schedule or tariff or part of a schedule or tariff.

The Principles of Agreement will impose a new charge upon most customer classes. They provide, inter alia, for the inclusion in most of LG&E's rate schedules of a Demand-Side Management Cost Recovery Mechanism which may be increased or decreased by a DSM Cost Recovery Component ("DSMRC"). The DSMRC consists of four separate components: DSM Cost Recovery ("DCR"), DSM Revenue from Lost Sales ("DRLS"), DSM Incentive ("DSMI"), and DSM Balance Adjustment ("DBA").

A cursory examination of just two components of the DSMRC indicates that the DSMRC will increase the total amount which individual LG&E ratepayers pay for utility service. The DCR is designed to pass through to most LG&E ratepayers all expected costs for DSM programs which have been developed and agreed upon by the Joint Applicants. These costs include the planning, developing, implementing, monitoring, and evaluating of DSM programs and all costs incurred by the Joint Applicants on behalf of the collaborative process. The Joint Application discloses that, upon Commission approval of the Principles of Agreement, as much as \$3.3 million of DSM project cost will be passed through to LG&E ratepayers over the next three years.

Within 12 months after implementation of the Demand-Side Management Cost Recovery Mechanism, DRLS may further increase the rates charged to LG&E ratepayers. The Joint Applicants contend that, since the implementation of DSM and energy conservation

programs will result in lost sales to LG&E, it is necessary for LG&E to recover the associated lost revenues from LG&E ratepayers.

Although the Joint Application seeks a general adjustment of rates, it does not comply with Commission Regulation 807 KAR 5:001, Section 10, which establishes the filing requirements for such applications. The information which this regulation requires is essential to a thorough evaluation of any rate adjustment.

Of more importance, LG&E has not complied with the notice requirements of that regulation. No notice of the proposed rate changes has been published. Public notice of such changes in LG&E's rate is essential to afford the ratepayers the opportunity to protect and defend their interests.

It is not the Commission's intent to complicate or delay this proceeding. We recognize the importance of the issues presented in the Joint Application. The Commission is committed to considering reasonable demand-side management options as part of a utility's long-range resource planning process. We are committed to an expeditious review of LG&E's application.

However, we also have a statutory duty to review the proposed DSM cost recovery mechanism and to ensure that it is fair, just, and reasonable for all LG&E ratepayers. Absent the requisite financial data and other pertinent information, no meaningful review can be conducted.

IT IS THEREFORE ORDERED that:

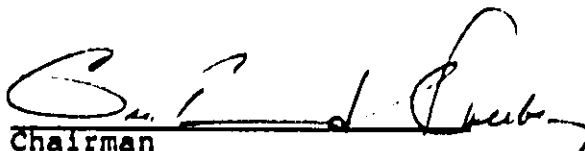
1. Within 20 days of the date of this Order, LG&E shall submit the information required by Commission Regulation 807 KAR 5:001, Section 10.

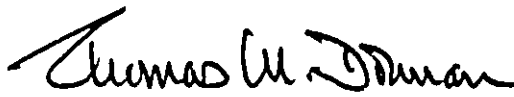
2. Within 20 days of the date of this Order, LG&E shall publish notice of its application in accordance with Commission Regulation 807 KAR 5:001, Section 10.

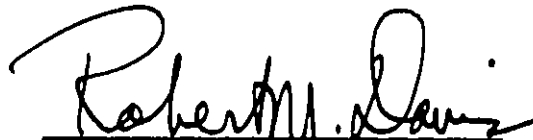
3. The Joint Application shall not be considered as filed until LG&E has complied with the provisions of Ordering paragraphs 1 and 2 of this Order.

Done at Frankfort, Kentucky, this 10th day of May, 1993.

PUBLIC SERVICE COMMISSION

  
Chairman

  
Vice Chairman

  
Commissioner

ATTEST:

  
Executive Director

IT IS THEREFORE ORDERED that:

1. Within 20 days of the date of this Order, LG&E shall submit the information required by Commission Regulation 807 KAR 5:001, Section 10.

2. Within 20 days of the date of this Order, LG&E shall publish notice of its application in accordance with Commission Regulation 807 KAR 5:001, Section 10.

3. The Joint Application shall not be considered as filed until LG&E has complied with the provisions of Ordering paragraphs 1 and 2 of this Order.

Done at Frankfort, Kentucky, this 10th day of May, 1993.

By the Commission

ATTEST:



Executive Director